

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

STATE-FUNDED JUDICIAL OPERATIONS

October 1, 2000 through September 30, 2002



Michigan *Office of the Auditor General* **REPORT SUMMARY**

Financial Audit

*Including the Provisions of the Single Audit Act
October 1, 2000 through September 30, 2002*

State-Funded Judicial Operations

Report Number:
05-150-03

Released:
June 2003

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with State compliance requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the State-funded judicial operations' financial schedules.

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Internal Control Over Financial Reporting

We did not identify any material weaknesses in internal control over financial reporting. However, we did identify reportable conditions (Findings 1 through 3).

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Noncompliance Material to the Financial Schedules

We did not identify any instances of noncompliance applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 5 programs as major programs and issued 5 unqualified opinions. The federal programs audited as major programs are identified on the back of this summary.

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Internal Control Over Major Programs

We did not report any findings related to internal control over major programs.

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Required Reporting of Noncompliance

We did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

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We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Compliance Opinion</u>
16.554	National Criminal History Improvement Program (NCHIP)	Unqualified
16.588	Violence Against Women Formula Grants	Unqualified
84.027	Special Education: Grants to States	Unqualified
93.563	Child Support Enforcement	Unqualified
93.658	Foster Care: Title IV-E	Unqualified

A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
www.state.mi.us/audgen/



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 30, 2003

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
Michigan Hall of Justice
Lansing, Michigan

Dear Chief Justice Corrigan:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the State-Funded Judicial Operations for the period October 1, 2000 through September 30, 2002.

This report contains our report summary; our independent auditor's report on the financial schedules; and the State-funded judicial operations' financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's reports on compliance and on internal control over financial reporting and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133 and our schedule of findings and questioned costs. In addition, this report contains the State-funded judicial operations' summary schedule of prior audit findings, the corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on the Financial Schedules

March 15, 2003

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
Michigan Hall of Justice
Lansing, Michigan

Dear Chief Justice Corrigan:

We have audited the financial schedules of the State-funded judicial operations for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents. These financial schedules are the responsibility of the State-funded judicial operations' management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

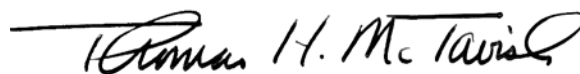
As described in Note 1b, the financial schedules include only the revenues and the sources and disposition of authorizations for the State-funded judicial operations' General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the State-funded judicial operations or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the State-funded judicial operations for the fiscal years ended September 30, 2002 and September 30, 2001, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2003 on our tests of the State-funded judicial operations' compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the State-funded judicial operations' financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the left side of the name.

Thomas H. McTavish, C.P.A.
Auditor General

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of General Fund Revenues
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
REVENUES		
Miscellaneous		
Court-generated revenues:		
State Court Fund	\$ 6,780,162	\$ 6,618,701
Court Equity Fund	33,273,435	32,697,584
Court Fee Fund	6,814,567	6,340,758
Other court-generated revenues	1,359,257	1,294,088
Other miscellaneous	4,345,933	9,129,869
From federal agencies	3,775,124	2,066,758
From local agencies		1,058,908
From services	2,275,177	2,185,844
From licenses and permits	<u>2,340,046</u>	<u>2,278,706</u>
Total Revenues	<u>\$ 60,963,700</u>	<u>\$ 63,671,215</u>

The accompanying notes are an integral part of the financial schedules.

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
SOURCES OF AUTHORIZATIONS (Note 2)		
General purpose appropriations	\$ 175,036,500	\$ 175,657,800
Balances carried forward	8,346,873	15,940,289
Restricted financing sources	<u>59,215,937</u>	<u>56,482,718</u>
Total	<u>\$ 242,599,310</u>	<u>\$ 248,080,807</u>
DISPOSITION OF AUTHORIZATIONS (Note 2)		
Expenditures and transfers out	<u>\$ 232,041,240</u>	<u>\$ 232,491,773</u>
Balances carried forward:		
Multi-year projects	\$	\$ 434,047
Encumbrances	5,465,217	3,836,894
Restricted revenues - authorized		14,451
Restricted revenues - not authorized	<u>4,817,943</u>	<u>4,061,481</u>
Total balances carried forward	<u>\$ 10,283,161</u>	<u>\$ 8,346,873</u>
Balances lapsed:		
Current year appropriations	\$ 206,784	\$ 1,088,075
Prior years' appropriations	<u>68,125</u>	<u>6,154,087</u>
Total balances lapsed	<u>\$ 274,909</u>	<u>\$ 7,242,162</u>
Total	<u>\$ 242,599,310</u>	<u>\$ 248,080,807</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the State-funded judicial operations for the fiscal years ended September 30, 2002 and September 30, 2001. The financial transactions of the State-funded judicial operations are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the State-funded judicial operations. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; Pension Benefits and Other Postemployment Benefits; and Compensated Absences.

b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by generally accepted accounting principles applicable to governments. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules include only the revenues and the sources and disposition of authorizations for the State-funded judicial operations' General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the State-funded judicial operations or the State's

General Fund in accordance with generally accepted accounting principles.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Budgetary transfers in (out): Legislatively approved transfers of spending authorization between accounts within State-funded judicial operations. These also include administrative transfers, such as entries to complete the financial closing of the State's fiscal year, that are approved by the Office of Financial Management, Department of Management and Budget.
- c. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized.
- d. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized.
- e. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.

- f. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- g. Restricted revenues - authorized: Revenues that, by statute or the State Constitution, are restricted and authorized for use to a particular program or activity. Generally, these revenues may be expended upon receipt without additional legislative authorization.
- h. Restricted revenues - not authorized: Revenues that, by statute are restricted for use to a particular program or activity. However, the State-funded judicial operations had not received legislative authorization to expend the revenues. Significant carry-forwards of this type were revenue from the community dispute resolution fees (\$1.78 million and \$1.76 million for fiscal years 2001-02 and 2000-01, respectively) and the court fees, which were deposited into the State Court Equity Fund (\$2.51 million and \$1.60 million for fiscal years 2001-02 and 2000-01, respectively). The restricted revenues - not authorized represent the unexpended balance of these revenues.
- i. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year. In fiscal year 2000-01, the Judiciary lapsed \$4,524,028 from prior years' appropriations as a result of terminating a fund that was created to provide supplemental support for certain governmental courts during court reform implementation. Also, the Judiciary lapsed a \$1,618,005 work project that was established to implement the commercial vehicle legislation.

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SUPPLEMENTAL FINANCIAL SCHEDULES

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2002

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>SUPREME COURT</u>				
Supreme Court Administration:				
General purpose	\$ 13,953,100	\$ 267,975	\$	\$
Law examination fees				464,221
Miscellaneous restricted				32,455
Total Supreme Court Administration	<u>\$ 13,953,100</u>	<u>\$ 267,975</u>	<u>\$ 0</u>	<u>\$ 496,676</u>
Judicial Institute:				
General purpose	\$ 2,052,200	\$ (400,000)	\$	\$
IDG from MSP - Michigan Justice Training Fund				82,909
DOT - National Highway Safety Traffic Administration				37,533
Federal contingency funds				67,263
Miscellaneous restricted				16,108
HHS - Domestic Violence Prevention				105,635
Total Judicial Institute	<u>\$ 2,052,200</u>	<u>\$ (400,000)</u>	<u>\$ 0</u>	<u>\$ 309,447</u>
State Court Administrative Office:				
General purpose	\$ 6,162,800	\$ (855,000)	\$	\$
Private				5,000
State Court - Subfund			14,451	(14,451)
HHS - Title IV-D Child Support Program				358,023
HHS - Court Improvement Project				171,354
Miscellaneous restricted				119,770
Private - Interest on lawyers' trust accounts				211,726
HHS - Access and Visitation Grant				536,712
Total State Court Administrative Office	<u>\$ 6,162,800</u>	<u>\$ (855,000)</u>	<u>\$ 14,451</u>	<u>\$ 1,388,133</u>
Judicial Information Systems:				
General purpose	\$ 2,652,400	\$ 965,000	\$	\$
IDG from MSP - Criminal Justice Improvement				1,722,168
Total Judicial Information Systems	<u>\$ 2,652,400</u>	<u>\$ 965,000</u>	<u>\$ 0</u>	<u>\$ 1,722,168</u>
Direct Trial Court Automation Support:				
Local user fees	\$	\$	\$	\$ 2,280,920
Total Direct Trial Court Automation Support	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,280,920</u>
State Court Fund:				
State Court Fund	\$	\$	\$	\$ 286,942
Total State Court Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 286,942</u>
Foster Care Review Board:				
General purpose	\$ 757,700	\$ (40,000)	\$	\$
HHS - Title IV-E Foster Care Program				342,131
Total Foster Care Review Board	<u>\$ 757,700</u>	<u>\$ (40,000)</u>	<u>\$ 0</u>	<u>\$ 342,131</u>

This schedule continued on next page.

<u>Expenditures and Transfers Out</u>	<u>Encumbrances</u>	<u>Restricted Revenues - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 13,678,804	\$ 540,260	\$	\$ 2,012
464,221			
31,000		1,455	
<u>\$ 14,174,025</u>	<u>\$ 540,260</u>	<u>\$ 1,455</u>	<u>\$ 2,012</u>
\$ 1,383,750	\$ 245,575	\$	\$ 22,875
82,909			
37,533			
67,263			
16,108			
105,635			
<u>\$ 1,693,197</u>	<u>\$ 245,575</u>	<u>\$ 0</u>	<u>\$ 22,875</u>
\$ 5,125,031	\$ 138,705	\$	\$ 44,064
5,000			
358,023			
171,354			
119,770			
211,726			
536,712			
<u>\$ 6,527,615</u>	<u>\$ 138,705</u>	<u>\$ 0</u>	<u>\$ 44,064</u>
\$ 2,771,524	\$ 845,697	\$	\$ 179
1,722,168			
<u>\$ 4,493,692</u>	<u>\$ 845,697</u>	<u>\$ 0</u>	<u>\$ 179</u>
<u>\$ 2,034,573</u>	<u>\$</u>	<u>\$ 246,347</u>	<u>\$</u>
<u>\$ 2,034,573</u>	<u>\$ 0</u>	<u>\$ 246,347</u>	<u>\$ 0</u>
<u>\$ 286,942</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 286,942</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 715,326	\$	\$	\$ 2,374
342,131			
<u>\$ 1,057,457</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,374</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2002
Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
Community Dispute Resolution:				
General purpose	\$ 570,700	\$	\$	\$
Community dispute resolution fees			1,757,628	1,475,305
USDA - Agriculture Mediation Grant				57,645
DOE - Special Education Grant				112,362
Total Community Dispute Resolution	<u>\$ 570,700</u>	<u>\$ 0</u>	<u>\$ 1,757,628</u>	<u>\$ 1,645,312</u>
Drug Courts:				
General purpose	\$ 1,293,700	\$	\$	\$
Total Drug Courts	<u>\$ 1,293,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Supreme Court	<u>\$ 27,442,600</u>	<u>\$ (62,025)</u>	<u>\$ 1,772,079</u>	<u>\$ 8,471,730</u>
<u>COURT OF APPEALS</u>				
Court of Appeals operations	\$ 20,147,700	\$ 10,000	\$	\$
Court filing/motion fees				1,359,257
Miscellaneous restricted				5,002
Total Court of Appeals	<u>\$ 20,147,700</u>	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 1,364,259</u>
<u>JUSTICES' AND JUDGES' COMPENSATION</u>				
Supreme Court justices' salaries	\$ 1,144,100	\$ 5,500	\$	\$
Court of Appeals judges' salaries	4,210,500	(5,500)		
District court judges' State base salaries	23,717,300	(98,000)		
District court judicial salary standardization	11,842,500	(78,000)		
Probate court judges' State base salaries	7,710,600			
Probate court judges' salaries - Court Fee Fund				1,144,400
Probate court judicial salary standardization	3,581,500			
Probate court judicial salary standardization - Court Fee Fund				705,600
Circuit court judges' State base salaries	17,026,200	405,000		
Circuit court judges' salaries - Court Fee Fund				2,547,200
Circuit court judicial salary standardization	8,100,200			
Circuit court judicial salary standardization - Court Fee Fund				1,501,900
OASI - Social Security	4,403,800			
Judges' Retirement System defined contributions	2,527,300	(295,249)		
Total Justices' and Judges' Compensation	<u>\$ 84,264,000</u>	<u>\$ (66,249)</u>	<u>\$ 0</u>	<u>\$ 5,899,100</u>
<u>JUDICIAL AGENCIES</u>				
Judicial Tenure Commission	\$ 1,121,000	\$ (125,000)	\$	\$
Total Judicial Agencies	<u>\$ 1,121,000</u>	<u>\$ (125,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>

This schedule continued on next page.

Expenditures and Transfers Out	Encumbrances	Restricted Revenues - Not Authorized	Balances Lapsed
\$ 570,700	\$	\$	\$
1,449,291		1,783,643	
57,645			
112,362			
<u>\$ 2,189,998</u>	<u>\$ 0</u>	<u>\$ 1,783,643</u>	<u>\$ 0</u>
\$ 316,030	\$ 968,116	\$	\$ 9,554
<u>\$ 316,030</u>	<u>\$ 968,116</u>	<u>\$ 0</u>	<u>\$ 9,554</u>
\$ 32,773,529	\$ 2,738,353	\$ 2,031,445	\$ 81,058
\$ 19,929,865	\$ 222,246	\$	\$ 5,590
1,359,257			
5,002			
<u>\$ 21,294,123</u>	<u>\$ 222,246</u>	<u>\$ 0</u>	<u>\$ 5,590</u>
\$ 1,149,368	\$	\$	\$ 232
4,159,222			45,778
23,618,696			604
11,763,702			798
7,693,067			17,533
1,144,400			
3,578,167			3,333
705,600			
17,424,194			7,006
2,547,200			
8,096,310			3,890
1,501,900			
4,401,203			2,597
2,228,162			3,889
<u>\$ 90,011,190</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85,661</u>
\$ 984,046	\$	\$	\$ 11,954
<u>\$ 984,046</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,954</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2002
Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>INDIGENT DEFENSE - CRIMINAL</u>				
Appellate Public Defender Program:				
General purpose	\$ 4,386,300	\$ 253,274	\$	\$
IDG from MSP - Michigan Justice Training Fund				211,569
Miscellaneous revenue				67,565
DOJ - Assigned Criminal Defense				86,081
Appellate Assigned Council Administration:				
General purpose	\$ 806,900	\$ (10,000)	\$	\$
IDG from MSP - Michigan Justice Training Fund				18,467
Miscellaneous revenue				9,952
Total Indigent Defense - Criminal	<u>\$ 5,193,200</u>	<u>\$ 243,274</u>	<u>\$ 0</u>	<u>\$ 393,634</u>
<u>INDIGENT CIVIL LEGAL ASSISTANCE</u>				
Indigent Civil Legal Assistance - State Court Fund	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,507,671</u>
Total Indigent Civil Legal Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,507,671</u>
<u>TRIAL COURT OPERATIONS</u>				
Court Equity Fund reimbursement - General purpose	\$ 34,961,700	\$	\$	\$
Court Equity Fund reimbursement - Court Equity Fund				33,273,435
Court Equity Fund reimbursement - Court Fee Fund			1,597,808	915,467
General purpose	2,093,700			
Total Trial Court Operations	<u>\$ 37,055,400</u>	<u>\$ 0</u>	<u>\$ 1,597,808</u>	<u>\$ 34,188,902</u>
<u>GRANTS/REIMBURSEMENTS</u>				
Drunk Driving and Drug Caseflow Programs				
Drunk Driving Fund	\$	\$	\$ 375,440	\$ 2,173,652
Drug Fund				216,990
Total Grants/Reimbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 375,440</u>	<u>\$ 2,390,642</u>
Total State-Funded Judicial Operations - Current Year	\$ 175,223,900	\$ 0	\$ 3,745,328	\$ 59,215,937
Carry-forwards from appropriation years 1997-98 through 2000-01	<u>(187,400)</u>		<u>4,601,545</u>	
Total State-Funded Judicial Operations	<u>\$ 175,036,500</u>	<u>\$ 0</u>	<u>\$ 8,346,873</u>	<u>\$ 59,215,937</u>

<u>Expenditures and Transfers Out</u>	<u>Encumbrances</u>	<u>Restricted Revenues - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 4,621,003 211,569 67,565 86,081	\$	\$	\$ 18,571
\$ 792,950 18,467 9,942	\$	\$	\$ 3,950
<u>\$ 5,807,577</u>	<u>\$ 0</u>	<u>10</u> <u>\$ 10</u>	<u>\$ 22,521</u>
<u>\$ 6,507,671</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 34,961,700 33,273,435	\$	\$	\$
854,670	1,239,030	2,513,275	
<u>\$ 69,089,805</u>	<u>\$ 1,239,030</u>	<u>\$ 2,513,275</u>	<u>\$ 0</u>
\$ 2,300,000 216,990	\$	\$ 249,092	\$
<u>\$ 2,516,990</u>	<u>\$ 0</u>	<u>\$ 249,092</u>	<u>\$ 0</u>
\$ 228,984,930	\$ 4,199,629	\$ 4,793,822	\$ 206,784
3,056,310	1,265,589	24,121	68,125
<u>\$ 232,041,240</u>	<u>\$ 5,465,217</u>	<u>\$ 4,817,943</u>	<u>\$ 274,909</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2001

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>SUPREME COURT</u>				
Supreme Court Administration:				
General purpose	\$ 14,084,100	\$ (153,543)	\$	\$
Law examination fees				470,236
Miscellaneous restricted				31,000
Total Supreme Court Administration	<u>\$ 14,084,100</u>	<u>\$ (153,543)</u>	<u>\$ 0</u>	<u>\$ 501,236</u>
Judicial Institute:				
General purpose	\$ 2,074,600	\$ (277,500)	\$	\$
IDG from MSP - Michigan Justice Training Fund				128,155
DOT - National Highway Safety Traffic Administration				86,658
Miscellaneous restricted				13,745
DOJ - Victims Assistance Programs				63,291
HHS - Domestic Violence Prevention				269,500
Total Judicial Institute	<u>\$ 2,074,600</u>	<u>\$ (277,500)</u>	<u>\$ 0</u>	<u>\$ 561,348</u>
State Court Administrative Office:				
General purpose	\$ 6,191,100	\$ (55,438)	\$	\$
HHS - Title IV-D Child Support Program				352,343
HHS - Court Improvement Project				213,268
Miscellaneous restricted				129,814
Private - Interest on lawyers' trust accounts				219,454
HHS - Access and Visitation Grant				303,877
State Court - Subfund				14,451
Total State Court Administrative Office	<u>\$ 6,191,100</u>	<u>\$ (55,438)</u>	<u>\$ 0</u>	<u>\$ 1,233,207</u>
Judicial Information Systems:				
General purpose	\$ 2,690,900	\$ 450,000	\$	\$
IDG from MSP - Criminal Justice Improvement				206,653
Total Judicial Information Systems	<u>\$ 2,690,900</u>	<u>\$ 450,000</u>	<u>\$ 0</u>	<u>\$ 206,653</u>
Direct Trial Court Automation Support:				
Local user fees	\$	\$	\$	\$ 2,185,845
Total Direct Trial Court Automation Support	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,185,845</u>
State Court Fund:				
State Court Fund	\$	\$	\$	\$ 275,177
Total State Court Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 275,177</u>
Foster Care Review Board:				
General purpose	\$ 749,900	\$ (27,500)	\$	\$
HHS - Title IV-E Foster Care Program				416,864
Total Foster Care Review Board	<u>\$ 749,900</u>	<u>\$ (27,500)</u>	<u>\$ 0</u>	<u>\$ 416,864</u>

This schedule continued on next page.

Expenditures and Transfers Out	Multi-Year Projects	Encumbrances	Restricted Revenues - Authorized	Restricted Revenues - Not Authorized	Balances Lapsed
\$ 13,381,172 470,236 31,000 <u>\$ 13,882,408</u>	\$ <u>\$ 0</u>	\$ 549,385 <u>\$ 549,385</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>
\$ 1,722,730 128,155 86,658 13,745 63,291 269,500 <u>\$ 2,284,078</u>	\$ <u>\$ 0</u>	\$ 18,087 <u>\$ 18,087</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ 56,283 <u>\$ 56,283</u>
\$ 6,065,790 352,343 213,268 129,814 219,454 303,877 <u>\$ 7,284,547</u>	\$ <u>\$ 0</u>	\$ 68,799 <u>\$ 68,799</u>	14,451 <u>\$ 14,451</u>	\$ <u>\$ 0</u>	\$ 1,073 <u>\$ 1,073</u>
\$ 2,499,433 206,653 <u>\$ 2,706,086</u>	\$ <u>\$ 0</u>	\$ 633,710 <u>\$ 633,710</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ 7,757 <u>\$ 7,757</u>
\$ 1,961,904 <u>\$ 1,961,904</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ 223,941 <u>\$ 223,941</u>	\$ <u>\$ 0</u>
\$ 275,177 <u>\$ 275,177</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>
\$ 634,163 416,864 <u>\$ 1,051,026</u>	\$ <u>\$ 0</u>	\$ 7,426 <u>\$ 7,426</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ 80,811 <u>\$ 80,811</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2001
Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
Law Enforcement Information Network:				
Law Enforcement Information Network - General purpose	\$ 50,000	\$	\$	\$
Total Law Enforcement Information Network	<u>\$ 50,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Community Dispute Resolution:				
General purpose	\$ 576,600	\$	\$	\$
Community dispute resolution fees			1,603,343	1,461,563
USDA - Agriculture Mediation Grant				54,416
DOE - Special Education Grant				98,017
Total Community Dispute Resolution	<u>\$ 576,600</u>	<u>\$ 0</u>	<u>\$ 1,603,343</u>	<u>\$ 1,613,995</u>
Total Supreme Court	<u>\$ 26,417,200</u>	<u>\$ (63,981)</u>	<u>\$ 1,603,343</u>	<u>\$ 6,994,324</u>
<u>COURT OF APPEALS</u>				
Court of Appeals operations	\$ 19,723,600	\$ (37,340)	\$	\$
Court filing/motion fees				1,294,088
Miscellaneous restricted				6,280
Total Court of Appeals	<u>\$ 19,723,600</u>	<u>\$ (37,340)</u>	<u>\$ 0</u>	<u>\$ 1,300,368</u>
<u>JUSTICES' AND JUDGES' COMPENSATION</u>				
Supreme Court justices' salaries	\$ 1,086,200	\$ 3,143	\$	\$
Court of Appeals judges' salaries	3,997,400	11,261		
District court judges' State base salaries	21,916,200	(15,139)		
District court judicial salary standardization	11,842,500	(24,892)		
Probate court judges' State base salaries	7,115,664	(25,426)		
Probate court judges' salaries - Court Fee Fund				1,092,336
Probate court judicial salary standardization	3,613,680	(17,038)		
Probate court judicial salary standardization - Court Fee Fund				673,420
Part-time probate judges' conversion to full-time	473,000			
Circuit court judges' State base salaries	16,039,307	(59,572)		
Circuit court judges' salaries - Court Fee Fund				2,431,293
Circuit court judicial salary standardization	7,794,449	292,184		
Circuit court judicial salary standardization - Court Fee Fund				1,433,551
OASI - Social Security	4,184,400			
Judges' Retirement System defined contributions	2,204,200			
Total Justices' and Judges' Compensation	<u>\$ 80,267,000</u>	<u>\$ 164,522</u>	<u>\$ 0</u>	<u>\$ 5,630,600</u>
<u>JUDICIAL AGENCIES</u>				
Judicial Tenure Commission	\$ 998,800	\$ (72,000)	\$	\$
Total Judicial Agencies	<u>\$ 998,800</u>	<u>\$ (72,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>

This scheduled continued on next page.

Expenditures and Transfers Out	Multi-Year Projects	Encumbrances	Restricted Revenues - Authorized	Restricted Revenues - Not Authorized	Balances Lapsed
\$	\$	\$	\$	\$	\$ 50,000
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000
\$ 576,600	\$	\$	\$	\$ 1,757,628	\$
1,307,278					
54,416					
98,017					
\$ 2,036,310	\$ 0	\$ 0	\$ 0	\$ 1,757,628	\$ 0
\$ 31,481,535	\$ 0	\$ 1,277,407	\$ 14,451	\$ 1,981,569	\$ 195,924
\$ 19,565,715	\$	\$ 120,545	\$	\$	\$
1,294,088					
6,280					
\$ 20,866,082	\$ 0	\$ 120,545	\$ 0	\$ 0	\$ 0
\$ 1,089,343	\$	\$	\$	\$	\$
4,008,661					
21,901,061					
11,817,608					
7,090,238					
1,092,336					
3,596,642					
673,420					
					473,000
15,979,735					
2,431,293					
8,086,633					
1,433,551					
4,183,887					513
1,844,487					359,713
\$ 85,228,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 833,226
\$ 872,438	\$	\$	\$	\$	\$ 54,362
\$ 872,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,362

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2001
Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>INDIGENT DEFENSE - CRIMINAL</u>				
Appellate Public Defender Program:				
General purpose	\$ 4,419,500	\$ 8,800	\$	\$
IDG from MSP - Michigan Justice Training Fund				197,517
Miscellaneous revenue				133,291
Private - Interest on lawyers' trust accounts				30,613
Appellate Assigned Council Administration:				
General purpose	835,300			
IDG from MSP - Michigan Justice Training Fund				33,094
Miscellaneous revenue				2,733
Total Indigent Defense - Criminal	<u>\$ 5,254,800</u>	<u>\$ 8,800</u>	<u>\$ 0</u>	<u>\$ 397,249</u>
<u>INDIGENT CIVIL LEGAL ASSISTANCE</u>				
Indigent Civil Legal Assistance - State Court Fund	\$	\$	\$	\$ 6,329,073
Total Indigent Civil Legal Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,329,073</u>
<u>TRIAL COURT OPERATIONS</u>				
Court Equity Fund reimbursement - General purpose	\$ 37,796,400	\$	\$	\$
Court Equity Fund reimbursement - Court Equity Fund				32,697,584
Court Equity Fund reimbursement - Court Fee Fund			887,650	710,158
Hold Harmless Fund reimbursement - General purpose	4,000,000			
General purpose	1,200,000			
Total Trial Court Operations	<u>\$ 42,996,400</u>	<u>\$ 0</u>	<u>\$ 887,650</u>	<u>\$ 33,407,742</u>
<u>GRANTS/REIMBURSEMENTS</u>				
Drunk Driving and Drug Caseflow Programs:				
Drunk Driving Fund	\$	\$	\$ 456,258	\$ 2,219,182
Drug Fund			4,774	204,180
Total Grants/Reimbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 461,032</u>	<u>\$ 2,423,362</u>
Total State-Funded Judicial Operations - Current Year	\$ 175,657,800	\$ 0	\$ 2,952,025	\$ 56,482,718
Carry-forwards from appropriation years 1997-98 through 1999-2000			12,988,264	
Total State-Funded Judicial Operations	<u>\$ 175,657,800</u>	<u>\$ 0</u>	<u>\$ 15,940,289</u>	<u>\$ 56,482,718</u>

Expenditures and Transfers Out	Multi-Year Projects	Encumbrances	Restricted Revenues - Authorized	Restricted Revenues - Not Authorized	Balances Lapsed
\$ 4,428,205 197,517 133,291 30,613	\$	\$	\$	\$	\$ 95
779,832 33,094 2,733		51,000			4,468
<u>\$ 5,605,286</u>	<u>\$ 0</u>	<u>\$ 51,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,563</u>
 \$ 6,329,073	 \$	 \$	 \$	 \$	 \$
<u>\$ 6,329,073</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 \$ 37,796,400 32,697,584	 \$	 \$	 \$	 \$	 \$
4,000,000 281,479				1,597,808	
<u>\$ 74,775,463</u>	<u>\$ 0</u>	<u>\$ 918,521</u>	<u>\$ 0</u>	<u>\$ 1,597,808</u>	<u>\$ 0</u>
 \$ 2,300,000 208,954	 \$	 \$	 \$	 \$ 375,440	 \$
<u>\$ 2,508,954</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 375,440</u>	<u>\$ 0</u>
\$ 227,667,727	\$ 0	\$ 2,367,473	\$ 14,451	\$ 3,954,818	\$ 1,088,075
4,824,046	434,047	1,469,421		106,663	6,154,087
<u>\$ 232,491,773</u>	<u>\$ 434,047</u>	<u>\$ 3,836,894</u>	<u>\$ 14,451</u>	<u>\$ 4,061,481</u>	<u>\$ 7,242,162</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 2000 through September 30, 2002

			For the Fiscal Year Ended September 30, 2001		
Federal Agency/Program	CFDA (2) Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<u>U.S. Department of Agriculture</u>					
Direct Program:					
State Mediation Grants	10.435		\$ 17,685	\$ 38,693	\$ 56,378
Total U.S. Department of Agriculture			\$ 17,685	\$ 38,693	\$ 56,378
<u>U.S. Department of Justice</u>					
Direct Programs:					
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		\$ 30,613	\$	\$ 30,613
Drug Court Discretionary Grant Program	16.585				0
Total Direct Programs			\$ 30,613	\$ 0	\$ 30,613
Pass-Through Programs:					
Michigan Department of State Police					
National Criminal History Improvement Program (NCHIP)	16.554	96-272-27430	\$ 188,289	\$	\$ 188,289
National Criminal History Improvement Program (NCHIP)	16.554	2000-27200-27490			0
Total National Criminal History Improvement Program (NCHIP)			\$ 188,289	\$ 0	\$ 188,289
Enforcing Underage Drinking Laws Program	16.727	AL-99-01	23,846	2,549	26,395
Total Michigan Department of State Police			\$ 212,135	\$ 2,549	\$ 214,684
Michigan Department of Community Health Crime Victim Assistance	16.575	20725-2V00	\$ 63,291	\$	\$ 63,291
Michigan Family Independence Agency Violence Against Women Formula Grants	16.588	IA-00-001	\$ 272,413	\$	\$ 272,413
Violence Against Women Formula Grants	16.588	02-IA-15			0
Total Violence Against Women Formula Grants			\$ 272,413	\$ 0	\$ 272,413
Total Pass-Through Programs			\$ 547,839	\$ 2,549	\$ 550,388
Total U.S. Department of Justice			\$ 578,452	\$ 2,549	\$ 581,001
<u>U.S. Department of Transportation</u>					
Highway Safety Cluster					
Pass-Through Programs:					
Michigan Department of State Police					
State and Community Highway Safety Program	20.600	PT-01-01	\$ 60,262	\$	\$ 60,262
State and Community Highway Safety Program	20.600	J8-02-03			0
Total State and Community Highway Safety Program			\$ 60,262	\$ 0	\$ 60,262
Alcohol and Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	J8-01-03	18,874		18,874
Total U.S. Department of Transportation			\$ 79,136	\$ 0	\$ 79,136
<u>U.S. Department of Education</u>					
Pass-Through Program:					
Michigan Department of Education					
Special Education: Grants to States	84.027	010490-2D33	\$ 62,725	\$ 25,100	\$ 87,825
Special Education: Grants to States	84.027	020490-2D33	11,202	2,900	14,102
Special Education: Grants to States	84.027	020490-3D33			0
Total U.S. Department of Education			\$ 73,927	\$ 28,000	\$ 101,927
<u>U.S. Department of Health and Human Services</u>					
Direct Program:					
State Court Improvement Program	93.586		\$ 156,600	\$ 106,747	\$ 263,347
Total Direct Program			\$ 156,600	\$ 106,747	\$ 263,347

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2002

Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	Total Expended and Distributed for the Two-Year Period
\$ 14,285	\$ 45,121	\$ 59,406	\$ 115,784
\$ 14,285	\$ 45,121	\$ 59,406	\$ 115,784

\$ 86,081	\$	\$ 86,081	\$ 116,694
68,016		68,016	68,016
\$ 154,097	\$ 0	\$ 154,097	\$ 184,710

\$ 906,896	\$	\$ 906,896	\$ 1,095,185
815,441		815,441	815,441
\$ 1,722,337	\$ 0	\$ 1,722,337	\$ 1,910,626

		0	26,395
\$ 1,722,337	\$ 0	\$ 1,722,337	\$ 1,937,021

\$	\$	\$ 0	\$ 63,291
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\$	\$	\$ 0	\$ 272,413
105,635		105,635	105,635
\$ 105,635	\$ 0	\$ 105,635	\$ 378,048
\$ 1,827,972	\$ 0	\$ 1,827,972	\$ 2,378,360
\$ 1,982,069	\$ 0	\$ 1,982,069	\$ 2,563,070

\$	\$	\$ 0	\$ 60,262
37,533		37,533	37,533
\$ 37,533	\$ 0	\$ 37,533	\$ 97,795

		0	18,874
\$ 37,533	\$ 0	\$ 37,533	\$ 116,669

\$	\$	\$ 0	\$ 87,825
		0	14,102
84,155	32,900	117,055	117,055
\$ 84,155	\$ 32,900	\$ 117,055	\$ 218,982

\$ 120,910	\$ 77,528	\$ 198,438	\$ 461,785
\$ 120,910	\$ 77,528	\$ 198,438	\$ 461,785

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 2000 through September 30, 2002
(Continued)

			For the Fiscal Year Ended September 30, 2001		
Federal Agency/Program	CFDA (2) Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
Pass-Through Programs:					
Michigan Department of Career Development					
Temporary Assistance for Needy Families (TANF)	93.558	00-IA-019	\$ 80,000	\$	\$ 80,000
Temporary Assistance for Needy Families (TANF)	93.558	02-IA-020			0
Total Temporary Assistance for Needy Families (TANF)			<u>\$ 80,000</u>	<u>\$ 0</u>	<u>\$ 80,000</u>
Michigan Family Independence Agency					
Child Support Enforcement	93.563	IA-01-050	\$ 399,057	\$	\$ 399,057
Child Support Enforcement	93.563	IA-01-017	80,996		80,996
Child Support Enforcement	93.563	02-IA-13			0
Child Support Enforcement	93.563	02-IA-14			0
Total Child Support Enforcement			<u>\$ 480,053</u>	<u>\$ 0</u>	<u>\$ 480,053</u>
Grants to States for Access and Visitation Programs	93.597	IA-00-002	\$ 44,379	\$ 113,353	\$ 157,732
Grants to States for Access and Visitation Programs	93.597	IA-01-051	20,335	110,533	130,868
Grants to States for Access and Visitation Programs	93.597	02-IA-01			0
Total Grants to States for Access and Visitation Programs			<u>\$ 64,714</u>	<u>\$ 223,886</u>	<u>\$ 288,600</u>
Foster Care: Title IV-E	93.658	01-IA-02	\$ 459,764	\$	\$ 459,764
Foster Care: Title IV-E	93.658	02-1A-20			0
Total Foster Care: Title IV-E			<u>\$ 459,764</u>	<u>\$ 0</u>	<u>\$ 459,764</u>
Total Michigan Family Independence Agency			<u>\$ 1,004,531</u>	<u>\$ 223,886</u>	<u>\$ 1,228,417</u>
Total Pass-Through Programs			<u>\$ 1,084,531</u>	<u>\$ 223,886</u>	<u>\$ 1,308,417</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,241,131</u>	<u>\$ 330,633</u>	<u>\$ 1,571,764</u>
Total Expenditures of Federal Awards			<u>\$ 1,990,331</u>	<u>\$ 399,875</u>	<u>\$ 2,390,206</u>

(1) Basis of Presentation: This schedule includes the federal grant activity of State-funded judicial operations and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

The State-funded judicial operations are subrecipients of the Welfare-to-Work Grants to States and Localities Program (CFDA No. 17.253) from the Michigan Department of Career Development. The Michigan Department of Career Development records the federal revenue and expenditures for this program. The State-funded judicial operations are reimbursed for their costs through an expenditure credit. The expenditure credits recorded for fiscal years 2000-01 and 2001-02 were \$80,000 and \$73,380, respectively.

The State-funded judicial operations are subrecipients of the Crime Victim Assistance Program (CFDA No. 16.575) from the Department of Community Health. The Department of Community Health records the federal revenue and expenditures for this program. The State-funded judicial operations are reimbursed for their costs through an expenditure credit. The expenditure credit recorded for fiscal year 2000-01 was \$63,291.

The State-funded judicial operations are subrecipients of the Child Support Enforcement Program (CFDA No. 93.563) from the Family Independence Agency (FIA). The interagency grant agreement between the State-funded judicial operations and FIA required that FIA reimburse State-funded judicial operations 100% of approved federal program expenditures through an expenditure credit. In fiscal year 2000-01, approved program expenditures equaled \$80,996; however, FIA recorded an expenditure credit for only \$40,718 of approved expenditures. The remaining \$40,278 of approved expenditures was presented on this schedule as the Child Support Enforcement grant with the pass-through identification number IA-01-017. In fiscal year 2001-02, approved program expenditures equaled \$67,573. FIA recorded an expenditure credit for the entire amount of fiscal year 2001-02 program expenditures.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

For the Fiscal Year Ended September 30, 2002			
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	Total Expended and Distributed for the Two-Year Period
\$	\$	\$ 0	\$ 80,000
73,380		73,380	73,380
<u>\$ 73,380</u>	<u>\$ 0</u>	<u>\$ 73,380</u>	<u>\$ 153,380</u>
\$	\$	\$ 0	\$ 399,057
		0	80,996
405,059		405,059	405,059
67,573		67,573	67,573
<u>\$ 472,632</u>	<u>\$ 0</u>	<u>\$ 472,632</u>	<u>\$ 952,685</u>
\$	\$	\$ 0	\$ 157,732
43,954	161,747	205,701	336,569
68,352	269,263	337,615	337,615
<u>\$ 112,306</u>	<u>\$ 431,010</u>	<u>\$ 543,316</u>	<u>\$ 831,916</u>
\$	\$	\$ 0	\$ 459,764
381,914		381,914	381,914
<u>\$ 381,914</u>	<u>\$ 0</u>	<u>\$ 381,914</u>	<u>\$ 841,678</u>
<u>\$ 966,852</u>	<u>\$ 431,010</u>	<u>\$ 1,397,862</u>	<u>\$ 2,626,279</u>
<u>\$ 1,040,232</u>	<u>\$ 431,010</u>	<u>\$ 1,471,242</u>	<u>\$ 2,779,659</u>
<u>\$ 1,161,142</u>	<u>\$ 508,538</u>	<u>\$ 1,669,680</u>	<u>\$ 3,241,444</u>
<u>\$ 3,279,184</u>	<u>\$ 586,559</u>	<u>\$ 3,865,743</u>	<u>\$ 6,255,949</u>



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

March 15, 2003

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
Michigan Hall of Justice
Lansing, Michigan

Dear Chief Justice Corrigan:

We have audited the financial schedules of the State-funded judicial operations for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents, and have issued our report thereon dated March 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State-funded judicial operations' financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

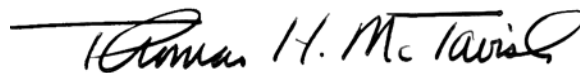
In planning and performing our audit, we considered the State-funded judicial operations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of

internal control over financial reporting that, in our judgment, could adversely affect the State-funded judicial operations' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 1 through 3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions identified in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State-funded judicial operations' management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.
Auditor General



STATE OF MICHIGAN
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

March 15, 2003

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
Michigan Hall of Justice
Lansing, Michigan

Dear Chief Justice:

Compliance

We have audited the compliance of the State-funded judicial operations with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the two-year period ended September 30, 2002. The State-funded judicial operations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the State-funded judicial operations' management. Our responsibility is to express an opinion on the State-funded judicial operations' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State-funded judicial operations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State-funded judicial operations' compliance with those requirements.

In our opinion, the State-funded judicial operations complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the two-year period ended September 30, 2002.

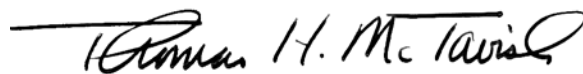
Internal Control Over Compliance

The management of the State-funded judicial operations is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State-funded judicial operations' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State-funded judicial operations' management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the left side of the name.

Thomas H. McTavish, C.P.A.
Auditor General

SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified*
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Internal control* over financial reporting:

Material weaknesses* identified?	No
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Reportable conditions* identified that are not considered to be material weaknesses?	Yes
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Noncompliance material to the financial schedules?	No
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Federal Awards

Internal control over major programs:

Material weaknesses identified?	No
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Reportable conditions identified that are not considered to be material weaknesses?	None reported
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Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	No
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* See glossary at end of report for definition.

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.554	National Criminal History Improvement Program (NCHIP)
16.588	Violence Against Women Formula Grants
84.027	Special Education: Grants to States
93.563	Child Support Enforcement
93.658	Foster Care: Title IV-E

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules

FINDING (050301)

1. Schedule of Expenditures of Federal Awards (SEFA)

The Judiciary did not reconcile and verify the information reported in its SEFA to Michigan Administrative Information Network* (MAIN) records and the federal grant award agreements. As a result, the Judiciary did not originally report accurate federal grant information in its fiscal year 2000-01 and 2001-02 SEFAs provided to the Office of the Auditor General, the Department of Management and Budget, the House and Senate Fiscal Agencies, and the applicable federal agencies.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires each recipient of federal assistance to prepare a SEFA and have it included in the recipient's Single Audit* report. The SEFA reports the total expenditures for each federal assistance program by federal grantor agency and program number.

* See glossary at end of report for definition.

We reconciled amounts expended with MAIN and verified the grantor agencies, federal assistance program titles, and program numbers that the Judiciary reported in its SEFAs. We noted:

- a. The Judiciary overstated fiscal year 2000-01 amounts directly expended in two programs totaling \$26,605 (Special Education: Grants to States, *CFDA* No. 84.027 [\$10,387], and Grants to States for Access and Visitation Programs, *CFDA* No. 93.597 [\$16,218]).
- b. The Judiciary understated fiscal year 2000-01 amounts directly expended in programs totaling \$30,521, which included \$13,375 for the State Court Improvement Program, *CFDA* No. 93.586.
- c. The Judiciary incorrectly reported direct expenditures as amounts distributed to subrecipients* for two programs totaling \$26,780. For example, the Judiciary reported \$10,015 as amounts distributed to subrecipients for the Special Education: Grants to States Program, *CFDA* No. 84.027, that should have been reported as direct expenditures.

The Judiciary made the necessary adjustments to its SEFA during our audit fieldwork in accordance with the underlying accounting records and program information from federal sources to provide an accurate presentation of federal program expenditures for this report.

RECOMMENDATION

We recommend that the Judiciary reconcile and verify the information reported in its SEFA to MAIN records and the federal grant award agreements.

FINDING (050302)

2. Payroll Process Internal Control

The Judiciary should improve its internal control over the time and attendance processing of payroll.

Internal control in any timekeeping system is a process designed to prevent errors or irregularities from occurring without being detected in a timely manner.

* See glossary at end of report for definition.

The Judiciary uses various methods for recording time and attendance. For example, some organizational units prepared time and attendance reports from employee time sheets and other units prepared time and attendance reports based on employee e-mails, leave forms, and verbal communication.

Our review of time and attendance recording methods for 10 Judiciary organizational units noted:

- a. Employees in 5 (50%) of the 10 organizational units did not certify the accuracy of time reported on summary reports. Employees' certification of timekeeping reports establishes employee accountability, adding reliability to the accuracy of the timekeeping reports.
- b. Timekeepers for 2 (20%) of the 10 organizational units recorded their own time on the time and attendance reports without verification by someone else.

An improved system of internal control would provide the Judiciary with appropriate assurances that errors or irregularities that may occur are being detected in a timely manner in the normal course of business.

RECOMMENDATION

We recommend that the Judiciary improve its internal control over the time and attendance processing of payroll.

FINDING (050303)

3. Financial Transaction Internal Control

The Judiciary needs to improve its internal control to ensure that revenues and expenditures are recognized and recorded in the proper fiscal year.

Internal control is a process designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. We noted exceptions related to the accounting and reporting of transactions in accordance with generally accepted accounting principles. For example:

- a. The Judiciary did not recognize revenues and expenditures totaling \$32,435 during fiscal year 2000-01 in the Child Support Enforcement Program, *CFDA*

No. 93.563. The Judiciary did not follow up with the pass-through agency to ensure that the Judiciary was reimbursed as required by the interagency agreement.

- b. The Judiciary improperly recorded expenditures totaling \$39,474 in fiscal year 2001-02 in the National Criminal History Improvement Program (NCHIP), *CFDA* No. 16.554, for services performed in October 2002.
- c. The Judiciary did not record revenues totaling \$20,192 in fiscal year 2001-02. The State Court Administrative Office submitted a revised fourth quarter financial report to the pass-through agency requesting reimbursement for the Child Support Enforcement Program. However, the Judiciary did not follow up on a timely basis with the pass-through agency to ensure that the revenues were recorded prior to the State's closing of the accounting records.

During year-end closing, the Judiciary processes transactions to balance federal revenues with federal expenditures without verifying the reason for the transactions. Such verification would help the Judiciary ensure accuracy in financial reporting.

RECOMMENDATION

We recommend that the Judiciary improve its internal control to ensure that revenues and expenditures are recognized and recorded in the proper fiscal year.

Section III: Findings and Questioned Costs Related to Federal Awards

We did not report any findings related to federal awards.

The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

OTHER SCHEDULES

STATE-FUNDED JUDICIAL OPERATIONS
Summary Schedule of Prior Audit Findings
As of September 30, 2002

PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES

There were no findings related to the financial schedules in the prior Single Audit.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1998 through September 30, 2000

Finding Number: 050101

Finding Title: Foster Care Review Board Activities

Finding: In accordance with the grant agreement with the Family Independence Agency, the Judiciary charged the continuation costs of expanding its Foster Care Review Board activities (which should be funded from federal Title IV-E funds) to Temporary Assistance for Needy Families (TANF) federal grants.

Comments: The Judiciary requested and received additional Foster Care: Title IV-E funding from the Family Independence Agency for these costs beginning October 1, 2000.

STATE-FUNDED JUDICIAL OPERATIONS

Corrective Action Plan

As of June 23, 2003

FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Finding Number: 050301

Finding Title: Schedule of Expenditures of Federal Awards (SEFA)

Management Views: The necessary adjustments were made to the SEFA to provide an accurate presentation of federal program expenditures in both fiscal years 2000-01 and 2001-02 for this report.

Corrective Action: The Judiciary will reconcile and verify the information in future SEFA reports with accounting records and federal grant award agreements prior to the submission of the reports to the Office of the Auditor General, the Department of Management and Budget, the House and Senate Fiscal Agencies, and the federal cognizant agencies.

Anticipated Completion Date: This process will begin with the fiscal year ending September 30, 2003.

Responsible Individual: E. Ronald Stadnika, Chief Financial Officer

Finding Number: 050302

Finding Title: Payroll Process Internal Control

Management Views: Time sheets for all employees are approved by supervisors or a designee authorized to approve employees' time records. Although employees do not necessarily certify such time sheets, the supervisors or designees do so.

Corrective Action: The Judiciary believes that approval of employees' time sheets by supervisors or other authorized employees is appropriate control over the timekeeping system. The Judiciary does not believe that additional administrative controls over the timekeeping process will add any improvement to the timekeeping process. However, the Judiciary anticipates that it will implement the State's automated timekeeping system, the Data Collection and Distribution System (DCDS), as soon as there is a web application that can be used so that no additional client software is required. The implementation will incorporate the internal control inherent in that system.

Anticipated Completion Date: Not determinable.

Responsible Individual: E. Ronald Stadnika, Chief Financial Officer

Finding Number: 050303

Finding Title: Financial Transaction Internal Control

Management Views: One of the continuing problems of an accelerated closing schedule is that occasionally documents related to payments, revenues, and other accounting entries come into the Finance Department after the books are officially closed. The vast majority of the documents are processed in the appropriate fiscal year; however, in those instances in which transactions are not known until after the books are closed, accounting entries may be posted in the subsequent fiscal year.

Corrective Action: The Finance Department will continue to work with other State-funded judicial entities to be in the position to record accounting entries in the appropriate fiscal

year as the State continues to accelerate the year-end closing.

Anticipated Completion Date: This process will begin with the fiscal year ending September 30, 2003.

Responsible Individual: E. Ronald Stadnika, Chief Financial Officer

FINDINGS RELATED TO FEDERAL AWARDS

There were no findings related to federal awards for the two-year period ended September 30, 2002.

Glossary of Acronyms and Terms

CFDA	<i>Catalog of Federal Domestic Assistance.</i>
DOE	U.S. Department of Education.
DOJ	U.S. Department of Justice.
DOT	U.S. Department of Transportation.
FIA	Family Independence Agency.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
HHS	U.S. Department of Health and Human Services.
IDG	interdepartmental grant.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of

	operations or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB).
MSP	Michigan Department of State Police.
OASI	Old Age Survivor's Insurance.
OMB	U.S. Office of Management and Budget.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document

governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

SEFA

schedule of expenditures of federal awards.

Single Audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

SOMCAFR

State of Michigan Comprehensive Annual Financial Report.

subrecipient

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves; or
- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.

USDA

U.S. Department of Agriculture.